



KELDA HELEN ROYS

STATE REPRESENTATIVE
WISCONSIN ASSEMBLY

FOR IMMEDIATE RELEASE
April 14, 2009

Contact: Emily McWilliams
(608) 266-5340

Rep. Roys Authors Taxpayer Protection Legislation

Bill would protect consumers from deceptive, confusing Refund Anticipation Loans

Madison, WI – Today Rep. Kelda Helen Roys (D-Madison) urged her colleagues to support the Taxpayer Protection Bill, which would offer increased consumer protections around so-called “Tax Refund Anticipation Loans.”

“Some tax preparers offer taxpayers costly short-term cash advances, called refund anticipation loans, without clearly stating the terms of these loans,” said Rep. Roys. “This bill would ensure basic consumer protections for taxpayers who are offered such loans – people deserve to know exactly how these loans work and how much they cost.”

Refund anticipation loans are short-term cash advances provided in conjunction with anticipated tax refunds. Tax preparers provide taxpayers with these loans in exchange for a portion of the taxpayers’ refunds, meaning those borrowers receive only a portion of the refund they are actually owed. More troubling is the fact that tax refunds are not guaranteed – the amount calculated on a return does not belong to the taxpayer until after it is paid, because errors on returns and unpaid government obligations sometimes change the refund amount. This means that taxpayers who bank on a certain refund amount risk being stuck with both the loan itself as well as the fee paid to the tax service.

Rep. Roys’ proposal would strengthen taxpayer protections in the Wisconsin Consumer Act. It would require that the tax preparers facilitating these loans tell consumers that the IRS and DOR do not guarantee tax refunds, that the loan is not the customer’s actual refund, and provide information about when consumer will receive his or her regular refund without a refund anticipation loan.

“With e-filing, Wisconsin taxpayers can receive their refund in just a few days – without losing a significant chunk of their refund to an expensive short-term loan,” continued Rep. Roys. “It is a great, free option for taxpayers who want to receive their refund quickly.”

Rep. Roys, who serves on the Assembly Committee on Consumer Protection, has distributed information about low-cost tax filing over the past several months to help educate consumers and raise awareness about options for low- and moderate-income taxpayers.

###